

Message Text

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PAGE 01 STATE 048583
ORIGIN EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10
IO-13 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06
AGRE-00 AID-05 CIAE-00 COME-00 INR-10 LAB-04
NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15
HA-05 /140 R

DRAFTED BY EB/ICD:EAWENDT:MBL
APPROVED BY E:RCOOPER
EA/EP:MHENDERSON (DRAFT)
EUR/RPE:PMCLEAN (DRAFT)
TREASURY:HJUNZ (DRAFT)
IO/IEP:DCOHN
S/S-S:RPACE (DRAFT)
EB/OMA:BCROWE (DRAFT)
EB/ORF:SWBOSWORTH
EB:JLKATZ
ARA/ECP:JEO'MAHONY (DRAFT)
NEA/RA:ROPRICKETT (DRAFT)
-----041311 260342Z /61

R 242121Z FEB 78
FM SECSTATE WASHDC
TO ALL OECD CAPITALS
AMEMBASSY BRUSSELS
INFO USMISSION GENEVA
AMEMBASSY NAIROBI
AMEMBASSY JAKARTA
AMEMBASSY MANILA
AMEMBASSY CARACAS
AMEMBASSY KUALA LUMPUR
AMEMBASSY LAGOS
AMEMBASSY DAR ES SALAAM
AMEMBASSY NEW DELHI
AMEMBASSY BRASILIA
AMEMBASSY MEXICO
AMEMBASSY ISLAMABAD
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AMEMBASSY JIDDA
USMISSION USUN NEW YORK

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USEC

E.O. 11652: N/A

TAGS: ETRD, EFIN, PORG, UNCTAD

SUBJECT: VISIT OF UNCTAD SYG COREA: COMMON FUND AND DEBT ISSUES

1. UNCTAD SYG COREA, ACCOMPANIED BY UNCTAD SECRETARIAT OFFICIALS MCINTYRE AND ARSENIS, MET WITH SECRETARY VANCE, UNDER SECRETARY COOPER, ASSISTANT SECRETARIES KATZ AND BERGSTEN FEBRUARY 14-15 TO DISCUSS THE COMMON FUND AND DEBT. COREA ALSO MET WITH MEMBERS OF CONGRESS, AID ADMINISTRATOR GILLIGAN, AND MEMBERS OF THE NSC AND IBRD STAFFS. ADDITIONAL HIGHLIGHTS OF THESE DISCUSSIONS WILL BE REPORTED SEPARATELY.

2. COMMON FUND: COREA OUTLINED HIS VIEWS ON A COMPROMISE COMMON FUND PROPOSAL AS WELL AS THE TIMING OF A RESUMED NEGOTIATING CONFERENCE. HE STRESSED, AND WE AGREED, THAT ALL COUNTRIES HAVE AN INTEREST IN ENSURING THAT A RESUMED NEGOTIATING SESSION HAVE A POSITIVE RESULT. HE SAID HE WAS PREPARED TO RECOMMEND A DATE FOR FORMAL RESUMPTION BUT ONLY IF THE PROSPECTS SEEMED REASONABLY GOOD. WE AGREED WITH THIS APPROACH, STRESSING THAT WE DO NOT WANT TO RETURN TO THE NEGOTIATING TABLE UNTIL PROSPECTS APPEAR FAVORABLE
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FOR REACHING AGREEMENT. ON THE TIMING OF RESUMPTION,

COREA SAID HE HAD IN MIND MAY, THE PURPOSE OF SUCH A RELATIVELY EARLY DATE BEING IN HIS VIEW TO "KEEP UP THE MOMENTUM" AND TO AVOID LETTING THE COMMON FUND SLIDE INTO PREPARATIONS FOR UNCTAD V. HE ALSO SUGGESTED THAT REPRESENTATIVES FROM A SMALL GROUP OF COUNTRIES GATHER TO SEE IF THERE WAS ENOUGH CONVERGENCE OF VIEWS TO JUSTIFY RESUMPTION OF THE NEGOTIATIONS. WE AGREED TO COOPERATE WITH THIS SUGGESTION.

3. ON THE CAPITAL STRUCTURE OF THE FUND, COREA SUGGESTED A COMBINATION OF DIRECT MANDATORY ASSESSED CONTRIBUTIONS FROM GOVERNMENTS, ICA DEPOSITS AND VOLUNTARY CONTRIBUTIONS. HE THOUGHT AGREEMENT WAS UNLIKELY IF THE FUND DID NOT HAVE SOME RESOURCES OF ITS OWN. ON OTHER MEASURES HE SUGGESTED EARMARKING A PART OF THE ASSESSED GOVERNMENT CONTRIBUTIONS FOR A SECOND WINDOW ON A ONCE AND FOR ALL BASIS. SUBSEQUENT FUNDING COULD BE VOLUNTARY. HE SAID SOME SATISFACTION HAD TO BE GIVEN TO THE 77 ON A SECOND WINDOW IF THERE WAS TO BE ULTIMATE AGREEMENT. HE THOUGHT THE CONCERNS OF THE INDUSTRIALIZED COUNTRIES COULD BE MET IN

PRACTICE BY KEEPING THE MANDATORY AMOUNTS RELATIVELY SMALL, CIRCUMSCRIBING THE SECOND WINDOW'S ACTIVITIES, AND UTILIZING PERSONNEL FROM THE IBRD OR OTHER BODIES.

4. WE TOLD COREA THAT IF THE FUND TOOK ON THE AURA OF A NEW AID INSTITUTION, WHICH IT WOULD UNDER HIS APPROACH, IT WOULD BE FATAL FOR EXECUTIVE BRANCH AND CONGRESSIONAL SUPPORT FOR ANY TYPE OF FUND. EVEN A SECOND WINDOW BASED PURELY ON VOLUNTARY CONTRIBUTIONS WOULD REQUIRE OUR STATING DURING THE NEGOTIATIONS THEMSELVES THAT WE DID NOT INTEND TO CONTRIBUTE--WHICH IN TURN WOULD HAVE THE CONSEQUENCES OF DAMPENING THE ENTHUSIASM OF OTHERS AND PUTTING THE U.S. AT A DISADVANTAGE POLITICALLY. WHILE RECOGNIZING THE IMPORTANCE OF OTHER MEASURES IN ADDRESSING COMMODITY PRO-LIMITED OFFICIAL USE

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BLEMS, WITH RESPECT TO THE COMMON FUND WE URGED COREA TO CONCENTRATE ON WHAT WE CONSIDER ITS MAIN FUNCTION--MOBILIZING FINANCIAL SUPPORT FOR PRICE STABILIZING COMMODITY AGREEMENTS. WE ALSO REITERATED IN STRONG TERMS OUR CONCERN THAT THE 77 HAD THUS FAR FAILED TO CONSIDER SERIOUSLY THE GROUP B PROPOSAL.

5. COREA ALSO RAISED THE ISSUES OF DIRECT CONTRIBUTIONS FOR ADMINISTRATIVE COSTS; THE DEPOSIT/CREDIT RATIO (HE THOUGHT THE 75 PER CENT FIGURE PROPOSED BY GROUP B MUCH TOO HIGH); AND PAYMENT OF ICA DEPOSITS BY ICA MEMBER GOVERNMENTS DIRECTLY TO THE FUND FOR THE ACCOUNT OF THE ICA UPON ITS ESTABLISHMENT (THIS MIGHT BE OPTICALLY MORE ATTRACTIVE TO THE LDCS THAN DEPOSITS TO THE FUND

DIRECTLY FROM THE ICAS). WE REPLIED THAT WE DID NOT CONSIDER THESE ISSUES MAJOR OBSTACLES TO AN AGREEMENT AND THAT WE WOULD BE PREPARED TO DISCUSS THEM AT AN APPROPRIATE TIME.

6. DEBT: COREA REPORTED THAT THE DEVELOPING COUNTRIES HAD REDUCED THEIR EXPECTATIONS CONSIDERABLY FOR MASSIVE ACROSS-THE-BOARD DEBT RELIEF AT THE MARCH 6-10 TDB MINISTERIAL. HE SAW SOME RELIEF OF THE DEBT BURDEN OF THE POOREST LDCS AND GUIDELINES FOR FUTURE DEBT REORGANIZATION AS THE MAJOR ISSUES. ON THE FORMER, COREA SUGGESTED A POLICY WHEREBY CREDITORS WOULD RETROACTIVELY ADJUST TERMS OF PAST OFFICIAL DEBT TO CONFORM WITH CURRENT AID TERMS. CREDITOR COUNTRIES WOULD IMPLEMENT THIS POLICY ON A FLEXIBLE BASIS.

7. WE NOTED THAT WE HAD NOT REACHED A DECISION ON THIS ISSUE BUT STRESSED THE CONCEPTUAL PROBLEMS WE HAD WITH LIMITED OFFICIAL USE

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AN ACROSS-THE-BOARD APPROACH. SINCE ADJUSTMENT OF TERMS ON ALL PAST LOANS WOULD BE A FORM OF AID, BASIC HUMAN NEEDS AND HUMAN RIGHTS QUESTIONS WOULD BE IMPORTANT FOR US IMPLEMENTATION, SO THAT EACH COUNTRY WOULD HAVE TO BE CONSIDERED SEPARATELY ON ITS MERITS.

8. WITH REGARD TO THE US/EC PROPOSAL ON FEATURES, MR. COOPER NOTED THAT THIS WAS PLACED ON THE TABLE IN CIEC IN A SPIRIT OF ACCOMMODATION. HE STRESSED TO COREA THAT ONE COULD NOT ASSUME AUTOMATICALLY THAT IT WOULD BE PLACED ON THE TABLE IN UNCTAD. WE ARE LOOKING AT THIS QUESTION NOW TO SEE IF WE COULD DO SO. IN ANY CASE, MR. COOPER NOTED THAT IT WOULD BE MISLEADING TO THINK THAT THE US/EC PROPOSAL COULD BE CONSIDERED AS A STARTING POINT FROM WHICH NEGOTIATIONS ON A NEW FEATURES PAPER COULD BEGIN. THIS VIEW, HE SAID, WAS SHARED BY OUR EUROPEAN PARTNERS.

9. ACTION ADDRESSEE POSTS MAY AT THEIR DISCRETION PROVIDE AN ACCOUNT OF THE ABOVE DISCUSSIONS TO CONCERNED OFFICIALS IN THE HOST GOVERNMENT. ON THE COMMON FUND WE HAVE ALREADY GIVEN SUCH AN ACCOUNT--AT THEIR REQUEST--TO THE WASHINGTON EMBASSIES OF THE UK, FRANCE, JAPAN, CANADA, THE NETHERLANDS, AND SWITZERLAND. VANCE

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ORIGIN EB-08

INFO OCT-01 ISO-00 EUR-12 /021 R

66011

DRAFTED BY:EB/ORF/ICD/CPD:GAGOWEN III:GDG

APPROVED BY:EB/ORF/ICD:CEANGEVINE

EUR/RPE:PMCLEAR (DRAFT)

-----053560 101533Z /43

R 100510Z MAR 78

FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE

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FOLLOWING REPEAT STATE 048583 SENT ACTION ALL OECD CAPITALS
BRUSSEL INFO GENEVA NAIROBI JAKARTA MANILA CARACAS KUALA LUMPUR
LAGOS DAR ES SALAAM NEW DELHI BRASILIA MEXICO ISLAMABAD
JIDDA USUN NEW YORK FEB 24.
QUOTE LIMITED OFFICIAL USE STATE 048583

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SEPARATELY.

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READY GIVEN SUCH AN ACCOUNT--AT THEIR REQUEST--TO THE WASHINGTON EMBASSIES OF THE UK, FRANCE, JAPAN, CANADA, THE NETHERLANDS, AND SWITZERLAND. VANCE UNQUOTE VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS, DEBTS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE048583
Document Source: CORE
Document Unique ID: 00
Drafter: EAWENDT:MBL
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780088-0849
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780214/aaaaalvc.tel
Line Count: 377
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3481133
Secure: OPEN
Status: NATIVE
Subject: VISIT OF UNCTAD SYG COREA: COMMON FUND AND DEBT ISSUES
TAGS: ETRD, EFIN, PORG, UNCTAD, (COREA, GAMANI)
To: OECD POSTS BRUSSELS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/48b3b5cf-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014